

Executive Registry

77-3605/1

8 MAR 1977

DCI

MEMORANDUM FOR: DCI Designate, Adm. Turner

SUBJECT: Content of Budget Documents

1. You asked about an apparent feeling by the Select Committee that the CIA is not living up to the requirements established under the budget act in that its budget does not reflect inflation, does not show the effect of the funding level on the Agency's ability to accomplish its mission, and presents no options. The comments that you encountered on the content of our budget documents appear to reflect concerns that appeared in a draft study done for the old (Church) Senate Select Committee--a study with which we rather forcefully disagreed. Interestingly enough, Bill Miller, the senior staffer, ultimately withdrew the entire study, primarily because we were able to convince him that it was neither a thorough job nor a correct one, and it never became part of the Committee report.

2. The specific issues reflect: (1) some very fundamental conflicts over the budget roles of the Executive Branch and Congress, (2) the peculiarities of the way intelligence budgets are handled in Congress, and (3) impressions gleaned during the investigations made by the predecessor committee of the current Select Committee two years ago which are no longer valid, if they were at the time.

3. The conflict over roles is illustrated by Congressional desire for departments and agencies to present options. Current legislation does not, in fact, require Executive branch agencies to provide such options. Instead, Congress has left it to the Congressional Budget Office to develop them. Were we to present options, we would be undermining the President's budget--in effect, doing the work of the Congressional staffs. We, therefore, present only a single, optionless budget, consistent with the traditional admonition (most recently set forth by OMB on 18 January 1977):

"Each official in the community is expected to support actively all budget amounts set forth in this letter and its enclosures, subject only to such changes as may be authorized by Presidential action. This support should be given not only in testimony before Congressional committees, but also in informal contacts with Members of Congress and their staffs, speeches, meetings with outside groups, and media."

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4. Whether or not to budget explicitly for inflation and display the impact of inflation is a matter of some disagreement between OMB and the Congress. The traditional OMB position has been to prohibit the practice, although special exceptions have been made for some Department of Defense activities. The intent of this OMB restriction, which predates the years of rapid inflation, was to force each agency to absorb the 2 or 3 percent annual cost growth that was typical of the times. We in CIA have abided by OMB restrictions in that we have not added a specific inflationary factor. But we do, of course, budget for anticipated higher costs where we have some firm basis for making estimates. We have for several years included in our budget document considerable detail reflecting the impact of inflation. And this year the budget includes many pages of tables that attempt to divide funding changes into those that are the result of cost changes and those that reflect program changes.

5. The important point is that we develop our Congressional budget document and the related oral presentations in accordance with the instructions of our oversight committees. Both last year and this, we made substantial changes at the request of the House Appropriations Committee. This year we received and responded to additional specific suggestions from the Senate Select Committee on Intelligence. Within the limits imposed by time constraints and computer capacity, we can accommodate any additional desires that do not put us in the middle of a Congressional-Executive conflict over roles and management prerogatives or rights to sensitive sources and methods information.



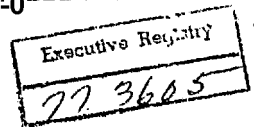
James H. Taylor
Comptroller

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2 March 1977

MEMORANDUM FOR: Acting Director of Central Intelligence

FROM: Executive Assistant to DCI-Designate

The Select Committee apparently feels that the CIA is not living up to the requirements established under the budget act in that it does not reflect inflation, did not show the effect of the funding level on the Agency's ability to accomplish its mission and no options were presented. The Agency, on the other hand, apparently feels that the budget projections are prepared properly in accordance with the instructions issued by OMB. Admiral Turner would like an explanation of this inconsistency.



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Remarks:

Attached is a substitute page 2
for Compt 77-0372--Memo For DCI
Designate, frm Compt, dtd 8 Mar 77,
Subj: Content of Budget Documents.

*new page attached
10 Mar 77*

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